

FREQUENTLY ASKED QUESTIONS ABOUT BANKS

1. Are my deposits in Arizona banks insured by the Federal Deposit Insurance Corporation (FDIC) and what does that mean?

Yes. In Arizona, all state-chartered and nationally-chartered banks are required to have deposit insurance provided by the FDIC.

The FDIC – the chief insurer of bank deposits – is an independent agency of the United States government. The FDIC protects against the loss of your deposits if an FDIC-insured bank fails. The basic insurance amount is \$100,000 per depositor per insured institution. Certain retirement accounts, such as Individual Retirement Accounts (IRAs), are insured up to \$250,000 per depositor per insured bank.

For additional information regarding FDIC insurance, please see the FDIC's Web site at www.fdic.gov. The FDIC Web site has a feature that enables you to calculate insurance coverage (EDIE — Electronic Deposit Insurance Estimator). In addition, the FDIC has a toll-free number (877-275-3342) operated from 8:00 a.m. to 8:00 p.m. (EST) where a customer service representative can be reached to discuss deposit insurance coverage.

2. What does it mean that First National Bank of Arizona is in receivership?

If a bank fails, it is closed by its primary federal or state regulator. The FDIC is then appointed as the receiver of the institution. Usually there is an assuming bank which enables the closed bank to be reopened immediately after the failure. In the typical transaction, the deposits – and sometimes the loans – are purchased by the new bank. If the FDIC can't sell the loans, they will be handled by the FDIC, which will continue to market them for sale. Loan payments should be made payable as usual and sent to the same address until the FDIC gives further notice.

3. What is the difference between a receivership and a conservatorship?

The goal of a receivership is the orderly administration of the failed bank's assets and liabilities. The goal of the conservatorship is to preserve the value of the failed institution as an operating bank until the assets and liabilities can be sold. IndyMac Bank was placed in conservatorship because there was no buyer for the bank's deposits.

4. How are Arizona's banks doing?

Customers of Arizona state-chartered banks have little to worry about as these banks overall remain well-capitalized and well-managed. The Arizona Department of Financial Institutions charts and regulates 34 banks in Arizona.

5. Will the former IndyMac Bank, now known as IndyMac Federal Bank, F.S.B., in Pasadena, CA, (Indy), failure have an impact on Arizona?

It is not likely to have a direct effect on the state of Arizona. Arizonans with individual deposit accounts or loans with Indy will work with the FDIC to resolve their particular circumstances. Arizonans with individual deposit accounts at Indy will receive the benefit of FDIC deposit insurance.

6. Will financial concerns at Fannie Mae and Freddie Mac have an impact on Arizona?

Because housing and mortgage lending are important segments of Arizona's economy, Fannie Mae and Freddie Mac are indeed important to Arizona and Arizonans. However, any financial problems they may experience can only be solved by the federal government not the states.

Both Fannie Mae and Freddie Mac are privately held corporations created by the federal government to facilitate mortgage lending. They own, or have packaged and sold, a substantial share of mortgages outstanding in the United States. Their continued viability is vital to the housing and mortgage industry nationwide.

7. What is a Cease & Desist Order?

A Cease and Desist Order (Order) is a formal action taken by bank regulators that requires bank management and the Board of Directors to stop certain practices or activities that could hurt the public. If the practices or activities are not stopped by the bank, then the bank regulator can take additional enforcement actions. The Order contains provisions requiring the bank to take specific steps within a period of time to correct all identified deficiencies noted during an examination of an institution. The issuance of an Order does not necessarily mean that a bank is in imminent danger of failure. Banks usually meet the conditions required by the Order.

8. How are banks chartered and regulated?

Charter

Bank organizers have a choice of a state or federal charter which allows them to open and operate their bank. Organizers that choose to be regulated by the state are chartered by the Arizona Department of Financial Institutions. They can apply for a federal charter with the Office of the Comptroller of Currency (OCC) or the Office of Thrift Supervision (OTS). All banks operating in Arizona are insured by the FDIC. All national and savings banks (including Wells Fargo Bank, Bank of America, Chase Bank and Washington Mutual Bank) are supervised by the OCC or the OTS. All bank holding companies are regulated by the Federal Reserve System.

Regulation

State and federal regulators conduct periodic examinations that ensure that the Board of Directors and bank management have adequate policies and procedures in place to operate the bank in a sound and safe manner. Regulators examine for capital adequacy, asset quality, management, earnings, liquidity and sensitivity to market risk. Banks are required to report the condition of their institution in considerable detail within 30 days after the end of each quarter. Those reports are public and can be accessed on the Federal Financial Institution Examination Council (FFIEC) Web site (www.ffiec.gov).

9. What is included in a bank examination and how often are they conducted?

A typical two-week safety and soundness examination of a state chartered bank assesses the risks facing the individual bank under review. Examiners review:

- A sample of the assets including loans and securities to determine a borrower's ability to repay the debt and the issuer's ability to redeem the security
- The level of capital and earnings to ensure the adequacy of both to support the growth of the bank
- The liquidity on the bank's balance sheet to determine that adequate levels exist to operate the bank on a daily basis
- Compliance with federal and state anti-money laundering regulations
- The bank's internal controls to prevent internal and external fraud

All findings of the examination are discussed with management and the Board of Directors. Banks are examined every 12 to 18 months, depending on their condition, the size of their institution and how long they have been open.